



Unaudited Condensed Consolidated Interim Financial Statements of

NEXGEN ENERGY LTD.

June 30, 2020 and 2019

NEXGEN ENERGY LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(unaudited)
As at

	Note	June 30, 2020	December 31, 2019
ASSETS			
Current			
Cash and cash equivalents		\$ 75,801,658	\$ 52,117,581
Amounts receivable		378,433	610,121
Prepaid expenses and other assets		599,460	734,310
		76,779,551	53,462,012
Non-current			
Deposits		85,495	95,835
Exploration and evaluation assets	5	262,403,166	252,380,408
Equipment	8	8,741,868	7,587,659
		271,230,529	260,063,902
TOTAL ASSETS		\$ 348,010,080	\$ 313,525,914
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 2,735,295	\$ 3,998,313
Current portion of lease liabilities	6	791,819	558,960
Flow-through share premium liability	7	70,453	227,522
		3,597,567	4,784,795
Non-current			
Deferred income tax liability		1,091,696	725,066
Long-term lease liabilities	6	3,649,406	2,086,007
Convertible debentures	9	155,403,789	119,581,192
		160,144,891	122,392,265
TOTAL LIABILITIES		163,742,458	127,177,060
EQUITY			
Share capital	10	244,779,344	218,787,664
Reserves	10	55,413,137	51,559,201
Accumulated other comprehensive loss		(5,336,682)	(2,247,226)
Accumulated deficit		(131,592,949)	(103,400,960)
		163,262,850	164,698,679
Non-controlling interests		21,004,772	21,650,175
TOTAL EQUITY		184,267,622	186,348,854
TOTAL LIABILITIES AND EQUITY		\$ 348,010,080	\$ 313,525,914

Nature of operations (Note 2)
Commitments (Notes 6 & 7)
Subsequent events (Note 17)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.
These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 11, 2020.

NEXGEN ENERGY LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(unaudited)

	Note	For the three months ended		For the six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Salaries, benefits and directors' fees	11	\$ 958,467	\$ 1,109,343	\$ 1,969,764	\$ 2,016,052
Office and administrative		354,450	635,631	949,559	1,197,139
Professional fees		1,804,344	1,061,373	2,421,867	1,795,876
Travel		(19,317)	241,560	149,682	514,750
Depreciation	8	552,180	598,995	1,087,881	1,187,657
Share-based payments	10, 11	2,701,467	3,522,771	4,379,165	5,965,144
Finance income		(54,723)	(511,300)	(239,647)	(1,117,507)
Rental Income		(9,087)	(7,577)	(16,663)	(15,153)
Mark to market loss (gain) on convertible debentures	9	4,240,251	2,218,823	11,328,996	(13,738,616)
Interest expense	9	3,145,749	3,006,431	6,171,775	5,997,807
Interest on lease liabilities	6	55,682	53,280	100,708	108,781
Foreign exchange loss (gain)		947,934	579,785	(793,069)	1,544,171
Gain on disposal of equipment		(4,000)	-	(4,000)	-
Loss from operations		\$ 14,673,397	\$ 12,509,115	\$ 27,506,018	\$ 5,456,101
Deferred income tax expense		3,798,952	12,134	1,352,237	89,415
Loss for the period		\$ 18,472,349	\$ 12,521,249	\$ 28,858,255	\$ 5,545,516
Other Comprehensive Income					
Change in fair value of convertible debentures attributable to the change in credit risk	9	14,402,258	813,879	4,232,131	813,879
Deferred income tax recovery		(3,888,609)	-	(1,142,675)	-
Total comprehensive loss for the period		\$ 28,985,998	\$ 13,335,128	\$ 31,947,711	\$ 6,359,395

The accompanying notes are an integral part of the condensed consolidated interim financial statements

NEXGEN ENERGY LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (continued)
(Expressed in Canadian Dollars)
(unaudited)

		For the three months ended		For the six months ended	
	Note	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Loss attributable to:					
Shareholders of NexGen Energy Ltd.		\$ 18,245,709	\$ 12,311,087	\$ 28,183,174	\$ 5,077,444
Non-controlling interests in IsoEnergy Ltd.		226,640	210,162	675,081	468,072
Loss for the period		\$ 18,472,349	\$ 12,521,249	\$ 28,858,255	\$ 5,545,516
Total comprehensive loss attributable to:					
Shareholders of NexGen Energy Ltd.		\$ 28,759,358	\$ 13,124,966	\$ 31,272,630	\$ 5,891,323
Non-controlling interests in IsoEnergy Ltd.		226,640	210,162	675,081	468,072
Total comprehensive loss for the period		\$ 28,985,998	\$ 13,335,128	\$ 31,947,711	\$ 6,359,395
Loss per common share attributable to the Company's common shareholders					
Basic loss per common share	16	\$ 0.05	\$ 0.04	\$ 0.08	\$ 0.01
Diluted loss per common share	16	\$ 0.05	\$ 0.04	\$ 0.08	\$ 0.03
Weighted average number of common shares outstanding					
Basic	16	366,251,490	353,802,907	363,251,031	352,741,003
Diluted	16	366,251,490	353,802,907	363,251,031	400,824,340

The accompanying notes are an integral part of the condensed consolidated interim financial statements

NEXGEN ENERGY LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(unaudited)

	Note	Number of Common Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Non-controlling Interests	Total
Balance as at December 31, 2018		351,237,062	\$ 208,711,135	\$ 41,629,049	\$ 97,675	\$ (85,143,089)	\$ 16,631,820	\$ 181,926,590
Exercise of options	10	3,483,333	3,829,683	(1,409,017)	-	-	-	2,420,666
Share-based payments	10	-	-	6,780,137	-	-	-	6,780,137
Issue of shares on convertible debenture interest payments	10	1,041,304	2,020,130	-	-	-	-	2,020,130
Loss for the period		-	-	-	-	(5,077,444)	(468,072)	(5,545,516)
Other comprehensive income		-	-	-	(813,879)	-	-	(813,879)
Balance as June 30, 2019		355,761,699	\$ 214,560,948	\$ 47,000,169	\$ (716,204)	\$ (90,220,533)	\$ 16,163,748	\$ 186,788,128
Balance at December 31, 2019		360,250,571	\$ 218,787,664	\$ 51,559,201	\$ (2,247,226)	\$ (103,400,960)	\$ 21,650,175	\$ 186,348,854
Exercise of warrants of subsidiary to non-controlling interests		-	-	-	-	(8,815)	29,678	20,863
Exercise of options		2,983,333	2,594,498	(1,052,498)	-	-	-	1,542,000
Share-based payments	10	-	-	4,906,434	-	-	-	4,906,434
Issue of shares on convertible debenture interest payments	10	1,092,142	2,151,520	-	-	-	-	2,151,520
Issue of shares for cash from private placement		11,611,667	20,888,500	-	-	-	-	20,888,500
Issue of shares on convertible debenture establishment fee		348,350	627,030	-	-	-	-	627,030
Issue of shares on convertible debenture financing consent fee		180,270	355,132	-	-	-	-	355,132
Share issuance costs		-	(625,000)	-	-	-	-	(625,000)
Loss for the period		-	-	-	-	(28,183,174)	(675,081)	(28,858,255)
Other comprehensive loss		-	-	-	(3,089,456)	-	-	(3,089,456)
Balance as at June 30, 2020		376,466,333	\$ 244,779,344	\$ 55,413,137	\$ (5,336,682)	\$ (131,592,949)	\$ 21,004,772	\$ 184,267,622

The accompanying notes are an integral part of the condensed consolidated interim financial statements

NEXGEN ENERGY LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(unaudited)
For the six months ended

	June 30, 2020	June 30, 2019
Cash flows (used in) from operating activities		
Loss for the period	\$ (28,858,255)	\$ (5,545,516)
Items not involving cash:		
Depreciation	1,087,881	1,187,657
Share-based payments	4,379,165	5,965,144
Non-cash costs of Debenture Issuance	184,757	-
Unrealized foreign exchange loss (gain) on cash and cash equivalents	(829,059)	1,060,926
Deferred income tax expense	1,352,237	89,415
Mark to market loss (gain) on convertible debentures	11,328,996	(13,738,616)
Interest expense	6,171,775	5,997,807
Interest on lease liabilities	100,708	108,781
Gain on Disposal of Equipment	(4,000)	-
Changes in non-cash working capital items:		
Amounts receivable	231,688	(133,196)
Prepaid expenses	134,850	(685,587)
Deposits	10,340	394,876
Accounts payable and accrued liabilities	171,175	(1,349,025)
	(4,537,744)	(6,647,334)
Cash flows (used in) investing activities		
Exploration and evaluation asset expenditures	(10,883,884)	(30,438,528)
Acquisition of equipment	(116,784)	(612,011)
	(11,000,668)	(31,050,539)
Cash flows (used in) from financing activities		
Cash from exercise of options and warrants, net of share issuance costs	1,562,863	2,420,666
Shares issued for cash from private placements, net of share issuance costs	20,263,500	-
Shares issued in connection with issuance of convertible debentures	797,405	-
Issuance of convertible debentures	20,261,470	-
Payment of lease liabilities	(425,756)	(373,137)
Interest paid on convertible debentures	(4,066,052)	(4,024,266)
	38,393,430	(1,976,737)
Change in cash and cash equivalents	22,855,018	(39,674,610)
Cash and cash equivalents, beginning of period	52,117,581	125,059,189
Effect of exchange rate fluctuations on cash held	829,059	(1,060,926)
Cash and cash equivalents, end of period	\$ 75,801,658	\$ 84,323,653
Cash and cash equivalents consist of:		
Cash	\$ 75,801,658	\$ 84,323,653
Cash equivalents	-	-
Cash and cash equivalents	\$ 75,801,658	\$ 84,323,653

Supplemental disclosure with respect to cash flows (Note 15)

The accompanying notes are an integral part of the condensed consolidated interim financial statements

NEXGEN ENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(unaudited)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 & 2019

1. REPORTING ENTITY

NexGen Energy Ltd. (“NexGen” or the “Company”) is an exploration and development stage entity engaged in the acquisition, exploration and evaluation and development of uranium properties in Canada. The Company was incorporated pursuant to the provisions of the British Columbia *Business Corporations Act* on March 8, 2011. The Company’s registered records office is located on the 25th Floor, 700 West Georgia Street, Vancouver, B.C., V7Y 1B3.

On April 19, 2013, the Company (as it was then called, Clermont Capital Inc. (“Clermont”)) completed its qualifying transaction, which was effected pursuant to an amalgamation agreement dated December 31, 2012 (the “Amalgamation Agreement”) amongst Clermont, 0957633 B.C. Ltd., a wholly owned subsidiary of Clermont, and NexGen Energy Ltd. (“Old NexGen”). Pursuant to the Amalgamation Agreement, the shareholders of Old NexGen were issued one common share of Clermont (on a post-share consolidation basis) for every one Old NexGen common share held immediately prior to the completion of the amalgamation. In connection with the Qualifying Transaction, Clermont also completed a consolidation of its common shares on a 2.35:1 basis and changed its name to “NexGen Energy Ltd.”. The Company’s acquisition of Old NexGen was accounted for as a reverse takeover.

The Company commenced trading on the TSX Venture Exchange (“TSX-V”) as a Tier 2 Issuer under the symbol “NXE” on April 23, 2013. On August 7, 2015, the Company became a Tier 1 Issuer. On July 15, 2016, NexGen graduated and commenced trading on the Toronto Stock Exchange (“TSX”) under its existing symbol. The Company’s common shares ceased trading on the OTCQX Best Market under the symbol “NXGEF” upon the commencement of trading on the NYSE American LLC (“NYSE American”) under the symbol “NXE” on May 17, 2017.

In February 2016, the Company incorporated four wholly owned subsidiaries: NXE Energy Royalty Ltd., NXE Energy SW1 Ltd., NXE Energy SW3 Ltd., and IsoEnergy Ltd. (collectively, the “Subsidiaries”). The Subsidiaries were incorporated to hold certain exploration assets of the Company. In the three months ended June 30, 2016, certain exploration and evaluation assets were transferred to each of IsoEnergy Ltd. (“IsoEnergy”), NXE Energy SW1 Ltd. and NXE Energy SW3 Ltd. (Note 5). Subsequent to the transfer, IsoEnergy shares were issued to third parties pursuant to external financings and listed its common shares on the TSX-V, with NexGen retaining 52.00% of IsoEnergy’s outstanding common shares as at June 30, 2020 (December 31, 2019 – 52.03%).

2. NATURE OF OPERATIONS

As an exploration and development stage company, the Company does not have revenues and historically has recurring operating losses. As at June 30, 2020, the Company had an accumulated deficit of \$131,592,949 and working capital of \$73,181,984. The Company will be required to obtain additional funding in order to continue with the exploration and development of its mineral properties and to repay its convertible debentures (Note 9), if required.

The business of exploring for minerals and development of projects involves a high degree of risk. NexGen is an exploration and development company and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital; development and operational risks inherent in the mining industry; changes in government policies and regulations; the ability to obtain the necessary environmental permits or, alternatively NexGen’s ability to dispose of its exploration and evaluation assets on an advantageous basis; as well as global economic and uranium price volatility; all of which are uncertain.

In March 2020, the World Health Organization declared a global pandemic known as COVID-19 and governments around the world have enacted measures to combat the spread of the virus. The duration and impact of the COVID-19 outbreak is not known at this time, but the risks to the Company may include, but are not limited to, delays in the previously disclosed timelines and activity levels associated with the Company’s feasibility study and environment assessment and the ability to raise funds through debt and equity markets.

The underlying value of the exploration and evaluation assets is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material write-downs of the carrying value of exploration and evaluation assets.

NEXGEN ENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(unaudited)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 & 2019

3. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements for the three and six months ended June 30, 2020, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. They do not include all of the information required by International Financial Reporting Standards (“IFRS”) for annual financial statements and should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2019. Accordingly, accounting policies applied other than as discussed in Note 4 are the same as those applied in the Company’s annual financial statements. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 11, 2020.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value, including the convertible debentures issued by the Company (Note 9). In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts (“\$”), except as otherwise noted. These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Critical accounting judgments, estimates and assumptions

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in a material adjustment to the carrying amount of the asset or liability affected in future periods. Significant areas of estimation and uncertainty are the same as those described in the Company’s 2019 annual financial statements.

Where the fair value of financial assets and financial liabilities recorded in the financial statements cannot be derived from active markets, their fair value is determined using valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 4 to the audited financial statements for the year ended December 31, 2019 and have been consistently followed in the preparation of these condensed consolidated interim financial statements.

5. EXPLORATION AND EVALUATION ASSETS

(a) Rook I Property

The Rook I Project is located in Northern Saskatchewan, approximately 40 kilometres (km) east of the Saskatchewan – Alberta border, approximately 150 km north of the town of La Loche and 640 km northwest of the City of Saskatoon and consists of 32 contiguous mineral claims totalling 35,065 hectares.

The Rook I Project hosts the Arrow deposit discovered in February 2014, the Bow discovery in March 2015, the Harpoon discovery in August 2016 and the Arrow South discovery in July 2017. The Company released an updated mineral resource estimate and the results of a pre-feasibility study in November 2018, in each case, in respect of the Arrow deposit.

NexGen has a 100% interest in the claims subject only to: (i) a 2% net smelter return royalty (“NSR”); and (ii) a 10% production carried interest, in each case, only on claims S-113928 to S-113933 (the Arrow deposit is not located on any of these claims). The NSR may be reduced to 1% upon payment of \$1 million. The 10% production carried interest provides for the owner to be carried to the date of commercial production.

NEXGEN ENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(unaudited)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 & 2019

5. EXPLORATION AND EVALUATION ASSETS (continued)

(b) Other Athabasca Basin Properties

The Other Athabasca Basin Properties are a portfolio of early stage mineral properties in the Athabasca Basin. The properties are grouped geographically as "SW1", "SW2" and "SW3". The SW2 properties are held directly by NexGen. The SW1 and SW3 properties are held by NXE Energy SW1 Ltd. and NXE Energy SW3 Ltd., respectively, each a wholly owned subsidiary.

(c) IsoEnergy Properties

The IsoEnergy Properties consist of (i) a 100% interest in the Radio Project, Saskatchewan (subject to a 2% net smelter return royalty and 2% gross overriding royalty); (ii) a 100% interest in the Thorburn Lake Project, Saskatchewan (subject to a 1% net smelter return royalty and a 10% carried interest which can be reduced to 1% at the holder's option upon completion of a bankable feasibility study); (iii) a 100% interest, in each of the Madison, 2Z, Carlson Creek and North Thorburn properties, Saskatchewan; (iv) a 100% interest in the Mountain Lake property, Nunavut; (v) a 100% interest in the Geiger property, Saskatchewan; (vi) a 100% interest in the Laroque East property, Saskatchewan that consists of 6 mineral claims constituting 3,200 hectares; (vi) and a 100% interest in the Eastern Athabasca named Evergreen that constitutes 32,400 hectares; (vii) a portfolio of newly staked claims in Saskatchewan, all of which are early stage exploration properties.

The following is a summary of the capitalized costs on the projects described above.

	Rook I	Other Athabasca Basin Properties	IsoEnergy Properties	Total
	\$	\$	\$	\$
Acquisition costs:				
Balance, December 31, 2019	235,077	1,457,607	26,635,775	28,328,459
Additions	-	-	136,145	136,145
Balance, June 30, 2020	235,077	1,457,607	26,771,920	28,464,604
Deferred exploration costs:				
Balance, December 31, 2019	199,784,259	9,163,367	15,104,323	224,051,949
Additions:				
Drilling	25,399	5,688	1,449,742	1,480,829
General exploration	797,210	-	317,121	1,114,331
Environmental and permitting	3,119,793	-	-	3,119,793
Technical, engineering, and design	1,400,455	-	-	1,400,455
Geochemistry and assays	-	-	-	-
Geological and geophysical	-	4,632	206,786	211,418
Labour and wages	1,475,956	-	469,345	1,945,301
Share-based payments (Note 10)	442,852	-	84,417	527,269
Travel	56,545	-	30,672	87,217
	7,318,210	10,320	2,558,083	9,886,613
Balance, June 30, 2020	207,102,469	9,173,687	17,662,406	233,938,562
Total costs, June 30, 2020	207,337,546	10,631,294	44,434,326	262,403,166

NEXGEN ENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. EXPLORATION AND EVALUATION ASSETS (continued)

	Rook I	Other Athabasca Basin Properties	IsoEnergy Properties	Total
	\$	\$	\$	\$
Acquisition costs:				
Balance, December 31, 2018	235,077	1,457,607	26,622,545	28,315,229
Additions	-	-	14,077	14,077
Impairment	-	-	(847)	(847)
Balance, December 31, 2019	235,077	1,457,607	26,635,775	28,328,459
Deferred exploration costs:				
Balance, December 31, 2018	148,658,925	6,530,533	10,623,907	165,813,365
Additions:				
Drilling	17,596,099	1,508,527	1,921,903	21,026,529
General exploration	5,453,717	4,126	665,140	6,122,983
Geological and geophysical	19,859,997	1,042,071	844,448	21,746,516
Labour and wages	6,099,402	78,110	825,860	7,003,372
Share-based payments (Note 10)	1,227,604	-	98,474	1,326,078
Travel	888,515	-	138,098	1,026,613
Impairment	-	-	(13,507)	(13,507)
	51,125,334	2,632,834	4,480,416	58,238,584
Balance, December 31, 2019	199,784,259	9,163,367	15,104,323	224,051,949
Total costs, December 31, 2019	200,019,336	10,620,974	41,740,098	252,380,408

6. LEASES

Right-of-use asset summary:

	Office Lease Assets	Vehicle Lease Assets	Total Right-of-use Assets
Right-of-use assets balance, December 31, 2019	\$ 1,986,747	\$ 230,178	\$ 2,216,925
Additions of right-of-use assets	2,100,867	-	2,100,867
Depreciation of right-of-use assets	(241,525)	(62,678)	(304,203)
Right-of-use assets balance, June 30, 2020	\$ 3,846,089	\$ 167,500	\$ 4,013,589

Office and vehicle lease right-of-use assets are included in equipment in the office, furniture and leasehold improvements, and field equipment categories, respectively (Note 8).

NEXGEN ENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. LEASES (continued)

Lease obligation summary:

	Six months ended June 30, 2020	Year ended December 31, 2019
Balance, beginning of the period	\$ 2,644,967	\$ 3,222,380
Addition to lease liabilities	2,121,306	-
Interest on lease liabilities	100,708	206,986
Lease payments	(425,756)	(784,399)
Balance, end of the period	\$ 4,441,225	\$ 2,644,967
Less: current portion	(791,819)	(558,960)
Balance, end of the period	\$ 3,649,406	\$ 2,086,007

The leases are for office space and vehicle leases that extend to 2025 and 2022, respectively. The discount rates applied to the leases for office spaces and vehicles are 7.50% and 6.74%, respectively. In addition to the lease payments the Company pays \$449,743 annually related to operating costs and realty taxes of the leased office spaces. The amount is reassessed annually based on actual costs incurred.

Minimum future lease payments relating to the leased asset are as follows:

2020	775,461
2021	1,526,829
2022	1,414,423
2023	1,373,937
2024	1,346,127
2025	1,227,448
Total	\$7,664,225

In addition to the leased asset above the Company engages drilling companies to carry out its drilling programs on its exploration and evaluation properties. The drilling companies provide all required equipment for these drilling programs. These contracts are short-term in nature and the Company has elected not to recognize right-of-use assets and associated lease liabilities in respect to these contracts but rather to recognize lease payments associated with these leases as incurred over the lease term. Payments to the drilling companies in the period ended June 30, 2020 were \$1,256,237 (all incurred by IsoEnergy).

7. COMMITMENTS

Flow-through expenditures:

IsoEnergy has raised funds through the issuance of flow-through shares. Based on Canadian tax law, IsoEnergy is required to spend this amount on eligible exploration expenditures by December 31 of the year after the year in which the shares were issued.

The premium paid for a flow-through share, which is the price paid for the share over the market price of the share, is recorded as a flow-through share premium liability. This liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is then recorded as a reduction in the deferred tax expense.

As of June 30, 2020, IsoEnergy is obligated to spend \$1,057,000 on eligible exploration expenditures by December 31, 2020, although refer to Note 17(b). As the commitment is satisfied, the remaining balance of the flow-through premium liability will be recognized as income.

NEXGEN ENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(unaudited)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 & 2019

7. COMMITMENTS (continued)

A continuity of the flow-through share premium liability is as follows:

	Six months ended June 30, 2020	Year ended December 31, 2019
Balance, beginning of the period	\$ 227,522	\$ 550,392
Liability incurred on flow-through shares issued	-	233,340
Settlement of flow-through share liability on expenditure made	(157,069)	(556,210)
Balance, end of the period	\$ 70,453	\$ 227,522

8. EQUIPMENT

	Computing Equipment	Software	Field Equipment	Office, Furniture and Leasehold Improvements	Road	Total
Cost						
Balance at December 31, 2018	\$ 305,449	\$ 750,014	\$ 6,498,041	\$ 231,857	\$ 2,079,395	\$ 9,864,756
Assets recognized on adoption of IFRS 16	-	-	354,163	2,472,349	-	2,826,512
Additions	111,281	189,171	38,841	302,475	-	641,768
Balance at December 31, 2019	416,730	939,185	6,891,045	3,006,681	2,079,395	13,333,036
Additions	15,428	104,480	948	2,126,032	-	2,246,888
Disposals	-	-	(8,441)	-	-	(8,441)
Balance at June 30, 2020	\$ 432,158	\$ 1,043,665	\$ 6,883,552	\$ 5,132,713	\$ 2,079,395	\$ 15,571,483
Accumulated Depreciation						
Balance at December 31, 2018	\$ 207,626	\$ 416,132	\$ 1,921,484	\$ 135,728	\$ 672,007	\$ 3,352,977
Depreciation	84,405	235,159	1,042,981	574,357	455,498	2,392,400
Balance at December 31, 2019	292,031	651,291	2,964,465	710,085	1,127,505	5,745,377
Depreciation	36,414	94,654	432,163	301,699	227,749	1,092,679
Disposals	-	-	(8,441)	-	-	(8,441)
Balance at June 30, 2020	\$ 328,445	\$ 745,945	\$ 3,388,187	\$ 1,011,784	\$ 1,355,254	\$ 6,829,615
Net book value:						
At December 31, 2019	\$ 124,699	\$ 287,894	\$ 3,926,580	\$ 2,296,596	\$ 951,890	\$ 7,587,659
At June 30, 2020	\$ 103,713	\$ 297,720	\$ 3,495,365	\$ 4,120,929	\$ 724,141	\$ 8,741,868

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9. CONVERTIBLE DEBENTURES

	June 30, 2020	December 31, 2019
2016 Debentures (a)	\$ 69,213,032	\$ 61,149,632
2017 Debentures (b)	66,995,003	58,431,560
2020 Debentures (c)	19,195,754	-
Convertible Debentures	\$ 155,403,789	\$ 119,581,192

The fair value of the Debentures increased from \$119,581,192 on December 31, 2019 to \$155,403,789 at June 30, 2020, resulting from the 2020 Debentures issuance of \$20,261,470 (US\$14,550,000) and a mark to market loss of \$15,561,127 for the six-month period ended June 30, 2020. The loss for the six-month period ended June 30, 2020 was bifurcated with the amount of the change in fair value of the convertible debentures attributable to changes in the credit risk of the liability recognized in other comprehensive income (loss of \$4,232,131) and the remaining amount recognized in loss for the period (loss of \$11,328,996).

(a) 2016 Debentures

The fair value of the 2016 Debentures increased from \$61,149,632 (US\$47,081,639) on December 31, 2019 to \$69,213,032 (US\$50,787,373) at June 30, 2020, resulting in a loss of \$8,063,400 (US\$3,705,734) for the six-month period ended June 30, 2020. This loss, combined with the loss on the 2017 Debentures (see Note 9(b)), and the gain on the 2020 Debentures (see Note 9(c)), for the period ended June 30, 2020 was bifurcated with the amount of the change in fair value of the convertible debentures attributable to changes in the credit risk of the liability recognized in other comprehensive income and the remaining amount recognized in loss for the period.

	Six months ended June 30, 2020	Year Ended December 31, 2019
Fair value of 2016 Debentures, beginning of year	\$ 61,149,632	\$ 72,481,375
Fair value adjustment during the period	8,063,400	(11,331,743)
Interest expense	3,011,388	(5,911,455)
Interest paid	(2,654,887)	(5,566,552)
2016 Debentures and interest payable	\$ 69,569,533	\$ 61,494,535
Less: interest payable included in accounts payable & accrued liabilities	(356,501)	(344,903)
2016 Debentures, end of period	\$ 69,213,032	\$ 61,149,632

The 2016 Debentures were valued using a convertible bond pricing model based on a system of two coupled Black-Scholes equations where the debt and equity components are separately valued based on different default risks and assumptions.

The inputs used in the 2016 Debentures pricing model as at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Volatility	38.00%	38.00%
Expected life in years	2.06 years	2.56 years
Risk free interest rate	0.23%	1.69%
Expected dividend yield	0%	0%
Credit spread	21.72%	23.96%
Underlying share price of the Company	\$1.77	\$1.67
Conversion exercise price	US\$2.3261	US\$2.3261
Exchange rate (C\$:US\$)	\$0.7338	\$0.7699

(b) 2017 Debentures

The fair value of the 2017 Debentures increased from \$58,431,560 (US\$44,988,882) on December 31, 2019 to \$66,995,003 (US\$49,159,820) at June 30, 2020, resulting in a loss of \$8,563,443 (US\$4,170,938) for the six-month period ended June 30, 2020. This loss, combined with the loss on the 2016 Debentures (see Note 9(a)), and the gain on the 2020 Debentures (see Note 9(c)), for the period ended June 30, 2020 was bifurcated with the amount of the change in fair value of the convertible debentures attributable to changes in the credit risk of the liability recognized in other comprehensive income and the remaining amount recognized in loss for the period.

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9. CONVERTIBLE DEBENTURES (continued)

	Six months ended June 30, 2020	Year ended December 31, 2019
Fair value of 2017 Debentures, beginning of year	\$ 58,431,560	\$ 65,709,509
Fair value adjustment during the period	8,563,443	(7,277,949)
Interest expense	3,011,388	5,911,455
Interest paid	(2,654,887)	(5,566,552)
2017 Debentures and interest payable	\$ 67,351,504	\$ 58,776,463
Less: interest payable included in accounts payable & accrued liabilities	(356,501)	(344,903)
2017 Debentures, end of period	\$ 66,995,003	\$ 58,431,560

The 2017 Debentures were valued using a convertible bond pricing model based on a system of two coupled Black-Scholes equations where the debt and equity components are separately valued based on different default risks and assumptions.

The inputs used in the 2017 Debentures pricing model as at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Volatility	38.00%	38.00%
Expected life in years	2.06 years	2.56 years
Risk free interest rate	0.23%	1.69%
Expected dividend yield	0%	0%
Credit spread	21.72%	23.96%
Underlying share price of the Company	\$1.77	\$1.67
Conversion exercise price	US\$2.6919	US\$2.6919
Exchange rate (C\$:US\$)	\$0.7338	\$0.7699

(c) 2020 Debentures

On May 27, 2020, the Company issued US\$15 million principal amount of convertible debentures (the "2020 Debentures") which were also determined to be a hybrid financial instrument comprised of the host debt contract and multiple embedded derivatives. The Company received gross proceeds of \$20,888,500 (US\$15 million) and net proceeds of \$20,227,782 (US\$14,525,551) after deducting \$760,718 (US\$474,461) in transaction costs from the issue of the 2020 Debentures. A 3% establishment fee of \$627,030 (US\$450,000) was also paid to the debenture holders through the issuance of 348,350 common shares. The fair value of the 2020 Debentures on issuance date was determined to be \$20,261,470 (US\$14,550,000).

The fair value of the 2020 Debentures decreased from \$20,261,470 (US\$14,550,000) on the initial measurement date to \$19,195,754 (US\$14,085,526) at June 30, 2020, resulting in a gain of \$1,065,716 (US\$464,474) for the period ended June 30, 2020. This gain, combined with the loss on the 2016 Debentures (see Note 9(a)), and the loss on the 2017 Debentures (see Note 9(b)), for the period ended June 30, 2020 was bifurcated with the amount of the change in fair value of the convertible debentures attributable to changes in the credit risk of the liability recognized in other comprehensive income and the remaining amount recognized in loss for the period.

	June 30, 2020
Fair value of 2020 Debentures on issuance	\$ 20,261,470
Fair value adjustment during the period	(1,065,716)
Interest expense	149,300
Interest paid	(60,175)
2020 Debentures and interest payable	\$ 19,284,879
Less: interest payable included in accounts payable & accrued liabilities	(89,125)
2020 Debentures, end of period	\$ 19,195,754

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9. CONVERTIBLE DEBENTURES (continued)

The 2020 Debentures were valued using a convertible bond pricing model based on a system of two coupled Black-Scholes equations where the debt and equity components are separately valued based on different default risks and assumptions.

The inputs used in the 2020 Debentures pricing model as at June 30, 2020 and May 27, 2020 are as follows:

	June 30, 2020	May 27, 2020
Volatility	38.00%	38.00%
Expected life in years	4.91 years	5 years
Risk free interest rate	0.75%	0.75%
Expected dividend yield	0%	0%
Credit spread	21.72%	22.31%
Underlying share price of the Company	\$1.77	\$1.93
Conversion exercise price	CAD\$2.34	CAD\$2.34
Exchange rate (C\$:US\$)	\$0.7338	\$0.7257

General Terms

At inception, for each of the 2016 Debentures, 2017 Debentures, and 2020 Debentures (collectively, the "Convertible Debentures"), the Company made an irrevocable election to designate the Convertible Debentures as a financial liability at fair value through profit or loss. At their respective initial recognition date, the entire convertible instrument was measured at fair value with associated transaction costs expensed as incurred. Subsequent to initial recognition, the convertible financial instrument is marked to market at each financial reporting date and any change in fair value is recognized in profit or loss with the exception that the change in fair value that is attributable to change in credit risk is presented in other comprehensive income.

The Convertible Debentures bear interest at a rate of 7.5% per annum, payable semi-annually in US dollars on June 10 and December 10 in each year, with the first interest payment on the 2017 Debentures due on December 10, 2017. Two thirds of the interest (equal to 5% per annum) is payable in cash and one third of the interest (equal to 2.5% per annum) is payable, subject to any required regulatory approval, in common shares of the Company, using the volume-weighted average trading price ("VWAP") of the common shares on the exchange or market that has the greatest trading volume in the Company's common shares for the 20 consecutive trading days ending three trading days preceding the date on which such interest payment is due. For this purpose, the VWAP shall be converted into US dollars on each of the 20 days in the period, using the indicative rate of exchange for such currency as reported by the Bank of Canada.

The 2016 Debentures, 2017 Debentures, and 2020 Debentures are convertible, from time to time, into common shares of the Company at the option of the debenture holders at any time prior to maturity at a price per common share of US\$2.3261, US\$2.6919, and CAD\$2.3400, respectively (the "Conversion Price").

The 2016 Debentures, 2017 Debentures, and 2020 Debentures are not redeemable by the Company prior to June 10, 2019, July 21, 2020, and May 27, 2023, respectively. On or after June 10, 2019 and July 21, 2020 and prior to July 22, 2022, the 2016 Debentures and 2017 Debentures, respectively; and on or after May 27, 2023 and prior to May 27, 2025, the 2020 Debentures, may be redeemed by the Company, in whole or in part, at any time that the 20-day VWAP of the common shares exceeds 130% of the Conversion Price, on not less than 30 days' prior notice to the debenture holders. For this purpose, the VWAP shall be converted into US dollars on each of the 20 days in the period, using the indicative rate of exchange for such currency as reported by the Bank of Canada.

Upon completion of a change of control (which includes in the case of the holders' right to redeem the Convertible Debentures, a change in the Chief Executive Officer of the Company), the holders of the Convertible Debentures or the Company may require the Company to purchase or the holders to redeem, as the case may be, any outstanding Convertible Debentures in cash at: (i) on or prior to June 10, 2019, July 21, 2020, and May 27, 2023 for the 2016 Debentures, 2017 Debentures, and 2020 Debentures respectively, 130% of the principal amount; and (ii) at any time thereafter, 115% of the principal amount, in each case plus accrued but unpaid interest, if any. In addition, upon the public announcement of a change of control that is supported by the Board, the Company may require the holders of the Convertible Debentures to convert the Convertible Debentures into common shares at the Conversion Price provided the consideration payable upon the change of control exceeds the Conversion Price and is payable in cash.

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9. CONVERTIBLE DEBENTURES (continued)

A "change of control" of the Company is defined as consisting of: (a) the acquisition by a person or group of persons acting jointly or in concert of voting control or direction over 50% or more of the Company's outstanding common shares; (b) the amalgamation, consolidation or merger of the Company with or into another entity as a result of which the holders of the common shares immediately prior to such transaction, directly or indirectly, hold less than 50% of voting control or direction over the entity carrying on the business of the Company following such transaction; (c) the sale, assignment, transfer or other disposition of all or substantially all of the property or assets of the Company to another entity in which the holders of the common shares immediately prior to such transaction, directly or indirectly, hold less than 50% of voting control or direction over the other entity following such transaction; or (d) the removal by resolution of the shareholders of the Company, of more than 51% of the then incumbent directors of the Company which removal has not been recommended in the Company's management information circular, or the failure to elect to the Company's board of directors a majority of the directors proposed for election by management in the Company's management information circular.

The 2016 Debentures, 2017 Debentures, and 2020 Debentures mature on July 22, 2022, July 22, 2022 and May 27, 2025 respectively.

10. SHARE CAPITAL AND RESERVES

Authorized Capital - Unlimited number of common shares with no par value and unlimited number of preferred shares.

Issued

For the period ended June 30, 2020:

- (a) During the six months ended June 30, 2020, the Company issued a total of 2,983,333 common shares on the exercise of 100,000 options at a price of \$0.64, 2,850,000 options at a price of \$0.50, and 33,333 options at a price of \$ 1.59 for total proceeds of \$1,542,000. As a result of the exercises, \$1,052,498 was reclassified from reserves to share capital.
- (b) On June 8, 2020 the Company issued 1,092,142 common shares at the then fair value of \$2,151,520 to the convertible debenture holders for the share portion of the debenture interest payment.
- (c) On May 27, 2020, the Company completed a financing that consisted of a US\$15 million private placement and US\$15 million 2020 Debentures. In connection with the financing the Company issued 11,611,667 common shares at a price of CAD\$1.80 for the private placement, 348,350 common shares at a price of CAD\$1.80 for the establishment fees of the 2020 Debentures, and 180,270 common shares at a deemed price of CAD\$1.97 for a consent fee to the investors of the 2016 and 2017 Convertible Debentures in connection with the 2020 Debenture financing.

For the period ended June 30, 2019:

- (a) During the six months ended June 30, 2019, the Company issued a total of 3,483,333 common shares on the exercise of 2,450,000 options at a price of \$0.40, 150,000 options at a price of \$0.46, 50,000 options at a price of \$0.50, 325,000 options at a price of \$0.64 and 508,333 options at a price of \$ 2.24 for total proceeds of \$2,420,666. As a result of the exercises, \$1,409,017 was reclassified from reserves to share capital.
- (b) On June 7, 2019 the Company issued 1,041,304 common shares at the then fair value of \$2,020,130 to the convertible debenture holders for the share portion of the debenture interest payment.

Stock Options

Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company, enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. At June 30, 2020, there were 37,959,161 stock options outstanding, which was 10.08% of issued and outstanding common shares of the Company.

The options can be granted for a maximum term of 10 years and are subject to vesting provisions as determined by the Board of Directors of the Company. All options currently issued at for 5 years only.

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10. SHARE CAPITAL AND RESERVES (continued)

Stock option transactions and the number of stock options are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Outstanding at December 31, 2018	36,237,148	\$ 1.98
Granted	9,438,679	1.79
Exercised	(6,783,333)	0.58
Forfeited	(2,274,999)	2.77
Outstanding at December 31, 2019	36,617,495	\$ 2.14
Granted	4,625,000	1.80
Exercised	(2,983,333)	0.52
Forfeited	(300,001)	2.34
Outstanding at June 30, 2020	37,959,161	\$ 2.23
Number of options exercisable	29,298,154	\$ 2.33

As at June 30, 2020, the Company has stock options outstanding and exercisable as follows:

Number of Options	Number Exercisable	Exercise Price	Remaining Contractual Life (Years)	Expiry Date
25,000	25,000	\$ 3.39	0.01	July 1, 2020
66,667	66,667	\$ 1.59	0.01	July 1, 2020
1,000,000	1,000,000	\$ 2.93	0.42	November 29, 2020
500,000	500,000	\$ 2.85	0.42	November 29, 2020
250,000	166,667	\$ 2.41	0.42	November 29, 2020
250,000	166,667	\$ 1.92	0.42	November 29, 2020
3,150,000	3,150,000	\$ 0.64	0.46	December 16, 2020
25,000	25,000	\$ 3.39	0.76	April 2, 2021
400,000	400,000	\$ 2.39	0.76	April 2, 2021
183,333	183,333	\$ 1.92	0.76	April 2, 2021
250,000	250,000	\$ 2.69	0.94	June 8, 2021
4,400,000	4,400,000	\$ 2.65	0.98	June 23, 2021
2,725,000	2,725,000	\$ 2.24	1.46	December 15, 2021
250,000	250,000	\$ 3.11	1.81	April 22, 2022
125,000	125,000	\$ 2.93	2.37	November 13, 2022
3,550,000	3,550,000	\$ 3.39	2.46	December 14, 2022
75,000	75,000	\$ 2.39	2.79	April 13, 2023
3,750,000	3,750,000	\$ 2.85	2.94	June 8, 2023
100,000	100,000	\$ 2.66	2.97	June 20, 2023
720,482	520,482	\$ 2.49	3.14	August 21, 2023
2,800,000	1,866,664	\$ 2.41	3.50	December 31, 2023
500,000	333,333	\$ 2.27	3.73	March 21, 2024
250,000	166,667	\$ 2.22	3.74	March 27, 2024
3,800,000	2,533,335	\$ 1.92	3.95	June 12, 2024
188,679	94,340	\$ 1.59	4.13	August 16, 2024
4,000,000	1,333,333	\$ 1.59	4.49	December 24, 2024
4,625,000	1,541,666	\$ 1.80	4.95	June 12, 2025
37,959,161	29,298,154			

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10. SHARE CAPITAL AND RESERVES (continued)

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used to estimate the weighted average grant date fair values for the three and six-month periods ended June 30, 2020 June 30, 2019:

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Expected stock price volatility	61.92%	65.60%	61.92%	63.69%
Expected life of options	5.00 years	5.00 years	5.00 years	5.00 years
Risk free interest rate	0.44%	1.81%	0.44%	1.53%
Expected forfeitures	0%	0%	0%	0%
Expected dividend yield	0%	0%	0%	0%
Weighted average fair value per option granted in period	\$0.89	\$1.26	\$0.89	\$1.07

Share-based payments for options vested for the three and six-months ended June 30, 2020 amounted to \$2,986,480 and \$4,906,434 (2019 – \$3,951,280 and \$6,780,137) of which \$2,701,467 and \$4,379,165 (2019 – \$3,522,771 and \$5,965,144) was expensed to the statement of loss and comprehensive loss and \$285,013 and \$527,269 (2019 - \$428,509 and \$814,993) was capitalized to exploration and evaluation assets (Note 5).

11. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors, corporate officers and related companies.

Remuneration attributed to key management personnel can be summarized as follows:

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Short-term compensation ⁽¹⁾	\$ 807,664	\$ 877,991	\$ 1,690,846	\$ 1,656,798
Share-based payments (stock options) ⁽²⁾	2,402,098	3,065,257	3,692,831	5,261,458
Consulting fees ⁽³⁾	21,666	-	64,998	-
	\$ 3,231,428	\$ 3,943,248	\$ 5,339,925	\$ 6,918,256

⁽¹⁾ Short-term compensation to key management personnel for the three and six-months ended June 30, 2020 amounted to \$807,664 and \$1,690,846 (2019 – 877,991 and \$1,656,798) of which \$681,638 and \$1,276,218 (2019 - \$693,186 and \$1,286,788) was expensed and included in salaries, benefits and directors' fees on the statement of loss and comprehensive loss. The remaining \$126,026 and \$414,628 (2019 - \$370,010) was capitalized to exploration and evaluation assets.

⁽²⁾ Share-based payments to key management personnel for the three and six-months ended June 30, 2020 amounted to \$2,402,098 and \$3,692,831 (2019 - \$3,065,257 and \$5,261,548) of which \$2,348,933 and \$3,568,234 (2019 - \$5,156,392) was expensed and \$53,165 and \$124,598 (2019 - \$71,122 and \$105,066) was capitalized to exploration and evaluation assets.

⁽³⁾ The Company used consulting services from a company associated with one of its directors in relation to advice on corporate matters for the three and six-months ended June 30, 2020 amounting to \$21,666 and \$64,998 (2019 - \$nil for the three and six month periods).

As at June 30, 2020, there was \$66,666 (December 31, 2019 - \$99,999) included in accounts payable and accrued liabilities owing to its directors and officers for compensation.

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12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

In the management of capital, the Company considers all components of equity and debt and is dependent on third party financing, whether through debt, equity, or other means. Although the Company has been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining required financing in the future or that such financing will be available on terms acceptable to the Company.

The properties in which the Company currently has an interest are in the exploration and development stage. As such the Company has historically relied on the equity markets and convertible debt to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it determines that there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and the Convertible Debentures.

The fair values of the Company's cash and cash equivalents amounts receivable and accounts payable and accrued liabilities approximate their carrying value, due to their short-term maturities or liquidity.

Fair Value Measurement

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The Convertible Debentures are re-measured at fair value at each reporting date with any change in fair value recognized in profit or loss with the exception that under IFRS 9, the change in fair value that is attributable to change in credit risk is presented in other comprehensive income (Note 9). The Convertible Debentures are classified as Level 2.

As at June 30, 2020, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments potentially subject to credit risk are cash and cash equivalents and amounts receivable. The Company holds cash and cash equivalents with large Canadian and Australian banks. Credit risk is concentrated as a large portion of the Company's cash and cash equivalents is held at one financial institution. Management believes the risk of loss to be remote. The Company's amounts receivable consists of input tax credits receivable from the Government of Canada and interest accrued on cash equivalents. Accordingly, the Company does not believe it is subject to significant credit risk.

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13. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital to meet short-term obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, NexGen had cash and cash equivalents of \$75,801,658 to settle accounts payable and accrued liabilities of \$2,735,295.

(c) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(i) Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value of the Company's cash and cash equivalent balances as of June 30, 2020. The Company manages interest rate risk by maintaining an investment policy for short-term investments. This policy focuses primarily on preservation of capital and liquidity. The Company monitors the investments it makes and is satisfied with the credit rating of its banks. The Convertible Debentures, in an aggregate principal amount of US\$135 million, carry a fixed interest rate of 7.5% and hence, are not subject to interest rate fluctuations.

(ii) Foreign Currency Risk

The functional currency of the Company and its subsidiaries is the Canadian dollar. The Company is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the Canadian dollar in relation to other currencies impact the fair value of financial assets, liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include US dollar denominated cash and US dollar accounts payable and accrued liabilities. The Company maintains Canadian and US dollar bank accounts in Canada.

The Company is exposed to foreign exchange risk on its US dollar denominated Convertible Debentures. At maturity the US\$135 million principal amount of the Convertible Debentures is due in full, and prior to then at a premium upon the occurrence of certain events, including a change of control. The Company holds sufficient US dollars to make all cash interest payments due under the Convertible Debentures until maturity but not to pay the principal amount. Accordingly, the Company is subject to risks associated with fluctuations in the Canadian/US dollar exchange rate that may make the Convertible Debentures more costly to repay.

(iii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Accordingly, significant movements in the Company's share price may affect the valuation of the Convertible Debentures which may adversely impact its earnings.

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatility. Future declines in commodity prices may impact the valuation of long-lived assets. The Company closely monitors commodity prices of uranium, individual equity movements, and the stock market to determine the appropriate course of action, if any, to be taken by the Company.

Sensitivity Analysis

As at June 30, 2020, the Company's US dollar net financial liabilities were \$101,064,258. Thus a 10% change in the Canadian dollar versus the US dollar exchange rates would give rise to a \$13,773,843 change in loss and comprehensive loss.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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14. SEGMENT INFORMATION

The Company operates in one reportable segment, being the acquisition, exploration and development of uranium properties. All of the Company's non-current assets are located in Canada.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions during the six-month period ended June 30, 2020 included:

- a) At June 30, 2020, \$1,265,113 of exploration and evaluation asset expenditures were included in accounts payable and accrued liabilities.
- b) At June 30, 2020, \$802,127 of interest expense related to the convertible debentures was included in the accounts payable and accrued liabilities. On June 8, 2020 the Company issued 1,092,142 shares valued at \$2,151,520 for the non-cash portion of the convertible debenture interest payment.
- c) The Right-of-use lease asset additions of \$2,100,867 and related lease liability of \$2,121,306 recorded in the six-months ended June 30, 2020 were non-cash (see note 6).
- d) Share-based payments of \$527,269 was included in exploration and evaluation assets (Note 5).
- e) The re-allocation upon exercise of stock options from reserves to share capital of \$1,052,498.

The significant non-cash transactions during the six-month period ended June 30, 2019 included:

- a) At June 30, 2019, \$3,780,637 of exploration and evaluation asset expenditures and \$nil of equipment expenditures were included in accounts payable and accrued liabilities.
- b) At June 30, 2019, \$695,782 of interest expense related to the convertible debentures was included in the accounts payable and accrued liabilities. On June 10, 2019 the Company issued 1,041,304 shares valued at \$2,020,130 for the non-cash portion of the convertible debenture interest payment.
- c) Share-based payments of \$814,993 was included in exploration and evaluation assets (Note 5).
- d) The re-allocation upon exercise of stock options from reserves to share capital of \$1,409,017.

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16. LOSS PER SHARE

Basic net income per share provides a measure of the interests of each ordinary common share in the Company's performance over the year. Diluted net income per share adjusts basic net income per share for the effect of all dilutive potential common shares.

	Six months ended	
	June 30, 2020	June 30, 2019
Basic loss per share		
Loss attributable to common shareholders	\$ 28,183,174	\$ 5,077,444
Weighted average number of common shares	363,251,031	352,741,003
Basic loss per share	\$ 0.08	\$ 0.01
Diluted loss per share		
Loss attributable to common shareholders	\$ 28,183,174	\$ 5,077,444
Interest expense on convertible debentures	-	(5,997,807)
Mark to market gain on convertible debentures	-	13,738,616
Diluted loss attributable to common shareholders	\$ 28,183,174	\$ 12,818,253
Weighted average number of common shares	363,251,031	352,741,003
Effect on conversion of convertible debentures	-	48,083,337
Weighted average number of common shares (diluted) at June 30	363,251,031	400,824,340
Diluted loss per common share	\$ 0.08	\$ 0.03

At June 30, 2020 the mark to market loss on convertible shares and associated Interest expense on convertible debentures and effect on conversion of convertible debenture were anti-dilutive.

At June 30, 2019, all options were excluded from the diluted weighted-average number of common shares because their effect would have been anti-dilutive.

For the three month ended June 30, 2020 and 2019 all potentially dilutive instruments were anti-dilutive.

17. SUBSEQUENT EVENTS

(a) Mountain Lake Option Agreement

On July 15, 2020, IsoEnergy entered into an agreement with NxGold Ltd ("NxGold") to grant NxGold the option to acquire a 100% interest in IsoEnergy's Mountain Lake uranium property in Nunavut, Canada ("Option Agreement").

Under the terms of the Option Agreement, NxGold has the option to acquire a 100% interest in the Mountain Lake uranium property in consideration for the issuance of 900,000 common shares and payment of \$20,000 cash to IsoEnergy. The option is exercisable at NxGold's election on or before the second anniversary of the effective date, for additional consideration of \$1,000,000, payable in cash or shares of NxGold. If NxGold elects to acquire the Mountain Lake property, IsoEnergy will be entitled to receive the following contingency payments in cash or shares of NxGold:

- If the uranium spot price reaches USD\$50, IsoEnergy will receive \$410,000
- If the uranium spot price reaches USD\$75, IsoEnergy will receive \$615,000
- If the uranium spot price reaches USD\$100, IsoEnergy will receive \$820,000

The spot price contingent payments will expire 10 years following the date the option is exercised.

The transaction contemplated by the Option Agreement is subject to NxGold obtaining the requisite TSXV approval.

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17. SUBSEQUENT EVENTS (continued)

(b) Flow through funding

In July 2020, the Federal Government announced relief on the timing of spending of flow through funds including a one-year deferral on spending flow through funds raised in 2019 and 2020. In addition, the requirement to calculate and pay the Part XII.6 tax will also be deferred one year.

(c) Financing

On July 23, 2020, IsoEnergy announced that it has agreed to terms with Queen's Road Capital Investment Ltd. for a US\$6 million private placement of unsecured convertible debentures (the "IsoEnergy Debentures"). The IsoEnergy Debentures will be convertible at the holder's option at a conversion price of \$0.88 (the "IsoEnergy Conversion Price") into approximately 9.1 million common shares of IsoEnergy (the approximate number of common shares to be issued is based on current exchange rates, with the actual number of common shares to be issued dependent on the exchange rate at the time of conversion).

Concurrent with the proposed IsoEnergy Debenture offering, IsoEnergy also announced a non-brokered private placement for gross proceeds of up to \$4 million (the "IsoEnergy Private Placement"). Pursuant to the terms of the IsoEnergy Private Placement, IsoEnergy will issue up to 5,882,352 common shares at a price of \$0.68 per share (the "Private Placement Price"). NexGen has agreed to subscribe for \$3 million of the Private Placement.

Terms of the Debentures

The IsoEnergy Debentures will carry an 8.5% coupon (the "Interest") over a 5-year term and will be convertible at the holder's option into common shares of IsoEnergy at a conversion price of \$0.88, which IsoEnergy Conversion Price is equal to a 30% premium to the Private Placement Price.

IsoEnergy will be entitled, on or after the third anniversary of the date of issuance of the IsoEnergy Debentures, at any time the 20-day VWAP on the TSXV exceeds 130% of the IsoEnergy Conversion Price, to redeem the IsoEnergy Debentures at par plus accrued and unpaid Interest.

The Interest is payable semi-annually with 6% payable in cash and 2.5% payable in common shares of IsoEnergy, subject to TSXV approval, at a price equal to the market price of IsoEnergy's common shares on the TSXV on the day prior to the date such Interest is due.

The Interest can be reduced to 7.5% per annum on the public dissemination by IsoEnergy of an economically positive preliminary economic assessment study, at which point the cash component of the Interest will be reduced to 5% per annum.

The gross proceeds of the IsoEnergy Debentures and the IsoEnergy Private Placement will be used for exploration of IsoEnergy's Athabasca Basin projects and general corporate purposes. All securities issued under the IsoEnergy Private Placement will be subject to a statutory hold period in Canada expiring four months and one day from the date of issuance.

The closing of the IsoEnergy Private Placement and IsoEnergy Debentures is expected to occur on or around August 17, 2020 and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals, including the acceptance of the TSXV.